



## CITY OF DURHAM | NORTH CAROLINA

**Date:** January 11, 2012

**To:** Thomas J. Bonfield, City Manager  
**Through:** Theodore L. Voorhees, Deputy City Manager  
**From:** Donald M. Long, Director, Department of Solid Waste Management  
**Subject:** **Contract Amendment with Otto Container Management, LLC**

### **Executive Summary**

In July 2008, the City of Durham entered into a contract with Otto Container Management LLC to rent, maintain, repair and deliver carts to households served by the Solid Waste Management Department. In July 2009, the service was expanded to include recycling services to the community, requiring 67,000 additional carts. In July 2010, the then current contract was amended to increase the number of carts served under the contract and to increase the annual monetary appropriation. Substantial growth in the City of Durham, and the need to replace or repair the aging inventory of carts already in service, will continue to require additional carts.

To cover the costs associated with the contract amendments, authorization is needed to increase the spending authority by \$1,940,000. No new funds are needed for this amendment as the funding is already appropriated through the annual fiscal budget process.

### **Recommendation**

The Administration recommends that City Council authorize the City Manager to amend the existing contract between the City of Durham and Otto Container Management, LLC to increase the spending authority by \$1,940,000 in order to continue cart rental, delivery, maintenance and repair services for the curbside waste collections and recycling programs.

### **Background**

In July 2008, the Department of Solid Waste Management entered into a contractual agreement with Otto Container Management to provide citywide cart rental, delivery, repair and maintenance services. At that time, approximately 90,500 city-owned carts were in circulation for solid waste collection, with an anticipated 5,000 new carts needed to accommodate replacement carts and new construction. The cost of the original contract was \$1,500,000. In July 2009 the department expanded this service to include curbside recycling, placing 67,000 additional carts into circulation. In July 2010, the contract was amended to increase the contract spending authority and to add an additional annual allocation of \$522,000 to the contract in order to meet payment obligations to the vendor. Due to continued growth within the City, damaged, lost and stolen carts, the number of carts added to the inventory for these services has increased by 91,375. If the City was to purchase these carts, the cost to purchase and maintain this massive cart inventory would be in excess of \$7.1 million over a five-year period (the term of this contract).

As the City continues to grow, each additional residence will require two carts. This would also mean an increase in the number of yard waste carts placed into circulation. Currently, the City averages an increase in new yard waste customers at a rate of approximately 500 per year. More carts will be needed to provide these services to accommodate the growth in the community. The department is currently in conversation with the Contractor to renegotiate the terms and costs associated with this contract in order to get more representative volume based pricing associated with the increased inventory. We will present to City Council a contract amendment when negotiations are completed.

To the Administration's satisfaction, the Contractor has successfully managed the cart rental, delivery, maintenance and repair services. This type of cart management has proven to be beneficial to the City in providing adequate services to the citizens. Prior to this service the Department was 20,000 carts behind in delivery requests without the capacity to catch up and with a very small inventory of carts.

**Alternatives**

The City could not increase the spending authority. However, such an action would cause a lapse in service and the department will not be able to continue to fill cart replacement or repair requests from residents.

**Financial Impact**

No new funds are needed to increase the spending authority for this contract. Future allocations will continue to be appropriated through the annual budget process.

**SDBE Summary**

Not Applicable